

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 623 - SB 1237

April 1, 2019

SUMMARY OF ORIGINAL BILL: Grants eligibility to an officer retiring after 25 years of service to receive benefits computed as an actuarial equivalent of the retirement allowance that would have been payable under a service retirement allowance. Authorizes local governments to require officers retiring early to pay for any insurance coverage provided to members.

FISCAL IMPACT OF ORIGINAL BILL:

Other Fiscal Impact – Shifts of payments for local retirement benefits from later years to earlier years. The extent and timing of such benefit payment shifts cannot be determined for they are dependent upon unknown factors. However, the net overall impact on local retirement plan liability is not significant due to accelerated benefit payments for formative years being offset by equal and reduced benefit payments in later years.

SUMMARY OF AMENDMENT (006811): Deletes and rewrites all language after the enacting clause such that the only substantive changes are to establish that firefighters retiring after 25 years of service are also eligible to receive such benefits, and that any incorporated city, town, metropolitan government, or county of this state that is a member of the state retirement system and provides health insurance benefits in accordance with Tennessee Code Annotated Title 8, Chapter 27, Part 6 is exempt from part (c) of this proposed legislation.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- Part (c) of this proposed legislation states that a police officer or firefighter who voluntarily chooses to retire after 25 years of creditable service, may be required to pay any insurance coverage otherwise provided to them from the date of retirement to the date that the police officer or firefighter would have become fully-vested.

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- Furthermore, part (c) states that a police officer or firefighter who voluntarily chooses to retire after 25 years of creditable service is entitled to any insurance coverage otherwise provided to members who are 100 percent vested in the member's service retirement benefit, on the date that the police officer or firefighter would have become 100 percent vested in the service retirement benefit.
- Increasing early retirement options for police officers and firefighters will result in a shift in the overall payment pattern of retirement benefits for police officers and firefighters.
- The precise shift in timing and magnitude of any police officers' and firefighters' retirement cannot be reasonably determined.
- Retirement benefits for early retirees will be reduced to the actuarial equivalent resulting in the total benefit collection in a lifetime to be unchanged; however, local expenditures for retirement payments will shift to earlier dates than what would be incurred under the current retirement benefit payment pattern. Future local expenditures for retirement benefits for the applicable early retirees will decrease as these retirees will be receiving the reduced benefit amount in future years.
- The net overall impact to the liability of local retirement plans is estimated to be not significant.
- Certain insurance premiums can currently be withheld from retirement benefit payments when a retiree is covered by an insurance plan. Authorizing local governments to require premium payments will result in a net impact that is not significant.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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